

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2071 - SB 2047

April 6, 2018

SUMMARY OF BILL: Exempts from state and local sales and use tax electrical hookup fees assessed by a marina.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$50,000

Decrease Local Revenue – Net Impact – \$20,400

Assumptions:

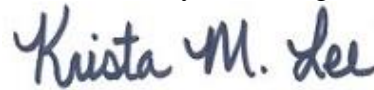
- Exempting electrical hookup fees assessed by marinas from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue cannot segregate tax collection data to show sales tax collections received solely due to electrical hookup fees assessed by marinas as such hookup fees are included in marinas' other taxable sales.
- On average, it is assumed that the electrical fee charged by a marina is equal to \$1.00 per foot of boat length per night.
- On average, it is assumed that the average boat length is 20 feet long; therefore, an average charge per day, per boat of \$20 (20 x \$1).
- According to the most recent Marina Inspections Monthly Status Report, published by the State Fire Marshal's Office, there are 203 marinas in the state. It is further assumed that approximately 50 percent of the marinas or 102 marinas (203 x 50%) offer short-term rentals and electrical hookups.
- It is assumed that there are 2 electric hookup fee rentals per day in the summer months, 1 per day in the spring and fall, and 0.5 per day in the winter.
- Electrical hookup fee sales of \$375,360 in the summer months (102 x 2 x 92 days x \$20), \$248,880 in the fall and spring months (102 x 1 x 122 days x \$20), and \$154,020 in the winter months (102 x 0.5 x 151 days x \$20), for total annual electrical hookup fee sales of \$778,260 (\$375,360 + \$248,880 + \$154,020).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$52,508 [(\$778,260 x 7%) – (\$778,260 x 7% x 3.617%)].

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- A recurring decrease in local revenue of \$21,427 $[(\$778,260 \times 2.5\%) + (\$778,260 \times 7\% \times 3.61\%)]$.
- Fifty percent of tax savings, or \$36,968 $[(\$52,508 + \$21,427) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$2,494 $[(\$36,968 \times 7\%) - (\$36,968 \times 7\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$1,018 $[(\$36,968 \times 2.5\%) + (\$36,968 \times 7\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$50,014 $(\$52,508 - \$2,494)$.
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$20,409 $(\$21,427 - \$1,018)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb